

Office of the Governor

July 19, 2012

The Honorable Kathleen Sebelius
Secretary
U. S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Sebelius,

You recently received a copy of the letter from the Republican Governors Association (Governors) to President Obama addressing the Supreme Court decision on the challenge to the Patient Protection and Affordable Care Act (PPACA) and I recently received a letter from you. Thank you. Wyoming was a party to that suit and though I would have liked to have seen a different outcome, I respect the process.

I share the concerns expressed in the Governors' letter and I look forward to your answers to those specific and important questions. At the same time, I have additional questions based on the unique characteristics of the Wyoming market. As a rural frontier state, Wyoming has a health care delivery system and insurance markets with some distinctive challenges to overcome. Staff members within the U.S. Department of Health and Human Services (HHS) have often referred to Rhode Island and Delaware as "small states" with distinctive PPACA implementation issues. Wyoming has half the population of Delaware and Rhode Island spread out over many times the geographic area.

The notion is floated that, with the PPACA ruling, states will simply implement state-run health insurance exchanges. I wish the decision were so simple. You have asked states to tell you what they will do before November 16, 2012. In order to arrive at an informed decision, Wyoming needs more information.

- Is there data supporting the premise that an exchange meeting the conditions of the PPACA (state-run or federal) will be financially viable or sustainable in Wyoming? Our studies indicate expected Wyoming enrollment of about 30,000 people.
- Wyoming's current health care system does not include managed care or integrated delivery and very few communities have competing providers. What enhancements to competition based on quality and cost does an exchange offer? I am concerned the

PPACA envisions the same insurance plans as the non-exchange market with substantial added administrative overhead – could you clarify the improvements?

- Is there an alternative way to create a more consumer-focused marketplace for health insurance in Wyoming? What flexibility can the HHS offer Wyoming?
- What financial support will the federal government contribute to operating the exchange and, if a state-run exchange is not financially viable in Wyoming, will there be an option to convert to a federally-facilitated exchange in the future with federal financial contribution?
- How will the long term funding of the federally-facilitated healthcare exchanges be sustained? If the federally-facilitated exchange is not financially self-sustaining, what happens then?
- When will states learn the details of the operational systems for a federal exchange? At the system-wide meeting, there were proposals shared and general guidance offered, however there was no definitive information on the specifications of the federal exchange or the cost to states of participation in a federal exchange.
- Detailed guidance from the federal government is necessary in order to determine if existing state statutes need modification. Our next legislative session is fast approaching with little more information or guidance than last year – when will states receive this information?
- What impact will changes to the Medicaid expansion have on exchange implementation? The federal exchange is currently structured to provide Medicaid eligibility determinations. How will this work if some states participate in the Medicaid expansion and others do not?

We have studies that indicate implementation of the PPACA is likely to be detrimental to our private health insurance markets. An actuarial study of small group and individual markets conducted by Gorman Actuarial, LLC in 2011 projects that premiums can be expected to go up an average of 30% to 40% in the individual market due solely to new insurance regulations effective in 2014. The projected impact of higher morbidity of new entrants into the market, in conjunction with essential benefit mandates, result in projected 40% to 60% increases in premiums in the individual market. The economic assumption that the reforms in the PPACA will make health care more affordable does not hold true in Wyoming's market.

Wyoming has a higher percentage of very small employers that self-insure than other states. It is not unreasonable to project a number of small employers will stop providing insurance coverage and move their employees to the individual market or self-insure to avoid regulation. During recent town hall meetings, a number of small employers

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indicated that it would be cheaper for them to pay the PPACA penalties for not providing coverage than it will be to continue to provide coverage. One study we have conducted estimates a net loss of over 8,000 covered persons in the employer sponsored insurance market.

When all of the provisions in the PPACA have been implemented, our actuarial studies estimate over 41,000 people in Wyoming will still be uninsured by 2016. This number represents about half of the 83,000 people currently uninsured in our state. Again, the projection that the reforms in the PPACA will result in universal coverage does not hold true in Wyoming's market.

I want to address Wyoming's health care system in a manner that makes sense for Wyoming. Strengthening the health care delivery system so that providers have the capacity and financial stability to see patients and improve quality of care is a major focus. However, the PPACA implementation not only complicates those efforts – it undermines the needed improvements. Wyoming has difficult decisions to make compounded by the lack of information referenced in this letter. An extension of the November 16 deadline would be appreciated.

I look forward to your answers and other clarifications you may offer. Both are critical to appropriate planning and decision making. I have a responsibility to make what I believe are the best possible decisions in regards to health care for our citizens. I have grave concerns about the financial impact of expanding Medicaid. Without additional information, the PPACA and the Medicaid expansion appear to only add to the unsustainable federal debt while taking away states' prerogative to make the best decisions for our citizens.

I invite you and your staff to come to Wyoming and see firsthand both the challenges we face and our efforts to improve the quality and efficiency of care and to find ways to make care more affordable.

Sincerely,



Matthew H. Mead
Governor

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